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1. The recent alarmist propaganda campaign directed toward Western public opinion to create the impression of the necessity of urgent attention to the Yugoslav situation is allegedly sponsored both by the Yugoslavs for reasons given in paragraph 4 below, and by the Soviet Union and its satellites as part of a build-up of tension for a possible four-power meeting.
2. Too much credence should not be given to the reports of military preparations for immediate action by Balkan satellites. Reports reveal normal training and replacement activities among Balkan troops and long-range preparations for offensive action.
3. Furthermore, since the spring of 1950 virtually no changes in the deployment of the Yugoslav Army have been observed. Few changes have been noticed among the Yugoslav frontier troops. The defense plan envisions the withdrawal to Bosnia and the islands in the Adriatic and the employment of guerrilla tactics on a large scale. This basic plan has been recently confirmed by the strengthening of Yugoslav industry in the Bosnia region, by the fortifying of means of communications and transport, and by the strengthening of coastal island fortifications. Emphasis placed on guerrilla tactics has also been noted in troop training.
4. The Yugoslav Government, worried about aid for alleviating its economic crisis, insists upon presenting a pessimistic view regarding an imminent external menace to Yugoslavia.

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BY CABLE